

**TOWN OF SMYRNA
KENT COUNTY, DELAWARE
FINANCIAL STATEMENTS
DECEMBER 31, 2008**

TOWN OF SMYRNA

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INDEPENDENT AUDITORS' REPORT

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August 17, 2009

To the Honorable Mayor and Town Council
Town of Smyrna
Smyrna, Delaware

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Smyrna, Smyrna, Delaware, as of and for the year ended December 31, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Smyrna's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Smyrna, Smyrna, Delaware, as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2009, on our consideration of the Town of Smyrna's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Smyrna's basic financial statements. The combining nonmajor governmental fund financial statements on pages 48 and 49 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor

**BARBACANE
THORNTON
& COMPANY**
CERTIFIED PUBLIC ACCOUNTANTS

To the Honorable Mayor and Town Council
Town of Smyrna

governmental fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis on pages 3 - 12 and the schedule of funding progress - pension plans on page 47 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Barbacane Thornton & Company
BARBACANE, THORNTON & COMPANY

**Town of Smyrna
Management's Discussion and Analysis - Unaudited
December 31, 2008**

The Honorable Mayor and Town Council are pleased to present to readers of the financial statements of the Town of Smyrna this narrative overview and analysis of the financial activities of the Town for the calendar year ended December 31, 2008. Readers are encouraged to consider the information presented here in conjunction with additional information furnished in the financial statements and notes to the financial statements.

FINANCIAL HIGHLIGHTS

- In the governmental activities, general revenues and transfers accounted for 62 percent of total revenues and program revenues 38 percent of total revenues (prior year, 56 percent and 44 percent, respectively). A significant portion of the general revenues increase is attributable to increased revenues from property taxes as a result of a millage rate increase from the prior year and a gain from the sale of land that had been held for resale. The decrease in program revenues is attributed mostly to a decrease in developer infrastructure contributions and impact fees/special assessments related to construction activities in the Town.
- In the governmental activities, current total expenditures increased from \$7,702,874 in 2007 to \$8,111,209 in 2008. This represents a six percent increase. This increase is attributable mostly to an increase in the cost of providing public safety and public works services to the Town.
- Total revenues in the Town's General Fund increased from \$5,256,636 in 2007 to \$5,719,791 in 2008. This represents a nine percent increase in total revenues for the General Fund. This increase is attributable to an increase in property taxes which is a result of an increase in property tax rates.
- As of the end of the current fiscal year, the Town's Governmental Funds reported combined ending fund balances of \$7,873,456 which is an increase from the prior year balance of \$4,933,140. This increase is attributable to a receipt of loan proceeds that will be used to finance construction for the municipal complex and electrical installation services.
- As of the end of the current fiscal year, the Town's business-type activities and proprietary funds reported combined net assets of \$22,273,428, an increase of \$1,256,957 as compared to the prior year. The current year increase in net assets can be attributed to capital acquisitions net of any applicable debt and the results of current year operations. User charges approximated the prior year due to stable rates and a slight increase in customers.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town of Smyrna's basic financial statements are comprised of three components:

1. Entity-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

Town of Smyrna
Management's Discussion and Analysis - Unaudited (cont'd)
December 31, 2008

This report also contains other supplementary information in addition to the basic financial statements themselves.

Entity-wide Financial Statements. The entity-wide *financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. There are two entity-wide statements presented in this report.

- The *Statement of Net Assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.
- The *Statement of Activities* presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (e.g., uncollected taxes and compensated absences.)

Both of the entity-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

In the entity-wide financial statements, the District's activities are divided into two categories:

- ***Governmental Activities:*** Most of the Town's basic services are included here, such as general government, public safety, public works, sanitation, economic development, and culture and recreation.
- ***Business-type Activities:*** The Town charges fees to help it cover the costs of certain services provided, such as water and sewer operations and an electric distribution operation. The Town purchases 100 percent of its electric supply requirements from the Delaware Municipal Electric Corporation (DEMEC) under a long-term full requirements service contract. In addition, the Town is charged a fee by Kent County to discharge the Town's proportionate share of waste water into its respective facilities under an operating contract.

The entity-wide financial statements can be found on pages 13 and 14 of this report.

Fund Financial Statements. The fund financial statements provide more detailed information about the Town's funds. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: Governmental Funds, Proprietary Funds and Fiduciary Funds.

Governmental Funds: Most of the Town's basic services are included in Governmental Funds. *Governmental Funds* are used to account for essentially the same functions reported as *governmental activities* in the entity-wide financial statements. However, unlike the entity-wide financial statements, Governmental Fund financial statements focus on *short-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Town of Smyrna
Management's Discussion and Analysis - Unaudited (cont'd)
December 31, 2008

Because the focus of Governmental Funds is narrower than that of the entity-wide financial statements, it is useful to compare the information presented for *Governmental Funds* with similar information presented for *governmental activities* in the entity-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Funds balance sheet and the Governmental Funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *Governmental Funds* and *Governmental Activities*.

The Town maintains several individual Governmental Funds. Information is presented separately in the Governmental Funds balance sheet and in the Governmental Funds statement of revenues, expenditures and changes in fund balances for the General Fund and the Capital Reserve Funds, both of which are considered to be major funds.

Data from the Nonmajor Governmental Funds are combined into a single, aggregated presentation. Individual fund data for each of these Nonmajor Governmental Funds is provided in the form of *combining statements* in this report.

The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget.

The basic Governmental Fund financial statements can be found on pages 15 to 18 of this report.

Proprietary Funds: The Town maintains two different types of Proprietary Funds: the Water and Sewer Fund and the Electric Fund. These funds are Enterprise Funds. *Enterprise Funds* are used to report the same functions presented as *Business-type Activities* in the entity-wide financial statements. These funds account for the financial transactions related to the water and sewer operations and electric distribution operations of the Town.

Proprietary Funds provide the same type of information as the entity-wide financial statements, only in more detail. The Proprietary Fund financial statements provide separate information for the Water and Sewer Fund and for the electric distribution operation, both of which are considered to be major funds of the Town.

The basic Proprietary Fund financial statements can be found on pages 20 to 22 of this report.

Fiduciary Funds: The Town is the fiduciary for assets that belong to others, such as its employee pension plans. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes and by those to whom the assets belong. Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are *not* reflected in the entity-wide financial statement because the resources of those funds are *not* available to support the Town's own programs.

The basic Fiduciary Fund financial statements can be found on page 23 and 24 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the entity-wide and fund financial statements. The notes to the financial statements can be found on pages 25 to 46 of this report.

Town of Smyrna
Management's Discussion and Analysis - Unaudited (cont'd)
December 31, 2008

Other Information. The combining statements referred to earlier in connection with the Nonmajor Governmental Funds are presented immediately following the footnotes. Combining and individual fund statements and schedules can be found on pages 47 through 49 of this report.

ENTITY-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Smyrna, assets exceeded liabilities by \$44,167,838 at the close of the most recent calendar year. The table below summarizes the net assets of the Town at December 31, 2008 and 2007.

STATEMENT OF NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Assets:						
Current and other assets	\$ 9,916,230	\$ 5,900,175	\$ 5,192,192	\$ 5,795,764	\$15,108,422	\$11,695,939
Capital assets	17,485,893	15,557,668	27,484,247	25,839,506	44,970,140	41,397,174
Total Assets	27,402,123	21,457,843	32,676,439	31,635,270	60,078,562	53,093,113
Liabilities:						
Long-term liabilities	3,605,344	297,224	7,302,352	7,581,160	10,907,696	7,878,384
Other liabilities	1,902,369	965,695	3,100,659	3,037,639	5,003,028	4,003,334
Total Liabilities	5,507,713	1,262,919	10,403,011	10,618,799	15,910,724	11,881,718
Net Assets:						
Invested in capital assets, net						
of related debt	16,572,941	15,557,668	19,989,271	18,048,736	36,562,212	33,606,404
Unrestricted	1,126,660	268,091	2,284,157	2,967,735	3,410,817	3,235,826
Restricted	4,194,809	4,369,165	-	-	4,194,809	4,369,165
TOTAL NET ASSETS	\$21,894,410	\$20,194,924	\$22,273,428	\$21,016,471	\$44,167,838	\$41,211,395

By far the largest portion of the Town's net assets (83 percent) reflects its investments in capital assets (e.g. land, buildings, machinery, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Town uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets (10 percent) represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net assets, \$3,410,817, may be used to meet the government's ongoing obligations to citizens and creditors.

Town of Smyrna
Management's Discussion and Analysis - Unaudited (cont'd)
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The Town's net assets increased by \$2,956,443 during the current year. This growth represents the degree to which increases in ongoing revenues such as increases in rates, developer contributions, and investment earnings have outstripped similar increases in ongoing expenses.

Governmental Activities. Governmental activities increased the Town's net assets by \$1,699,486, thereby accounting for 58 percent of the total growth in the net assets of the Town. The Town's change in net assets remained relatively the same as last year, reflecting an increase of 18 percent as compared to the prior year change in net assets. This reflects the degree to which increases in ongoing revenues and expenses are being carefully managed by the Town. This is due mostly to the increase in property tax revenues that outstripped the general increase in the cost of providing public safety and public works services to the Town residents.

Business-type Activities. Business-type activities increased the Town's net assets by \$1,256,957, accounting for 42 percent of the total growth in the Town's net assets. The Town's change in net assets decreased by 36 percent as compared to the prior year. This was due mostly to an increase in the cost of purchasing electricity for the Town's residents. Fortunately, the town has been able to manage such increases by effectively managing the user fees for providing these services and maintaining a positive change in net assets.

Changes in the net assets of the Town are highlighted in the following table:

STATEMENT OF CHANGES IN NET ASSETS

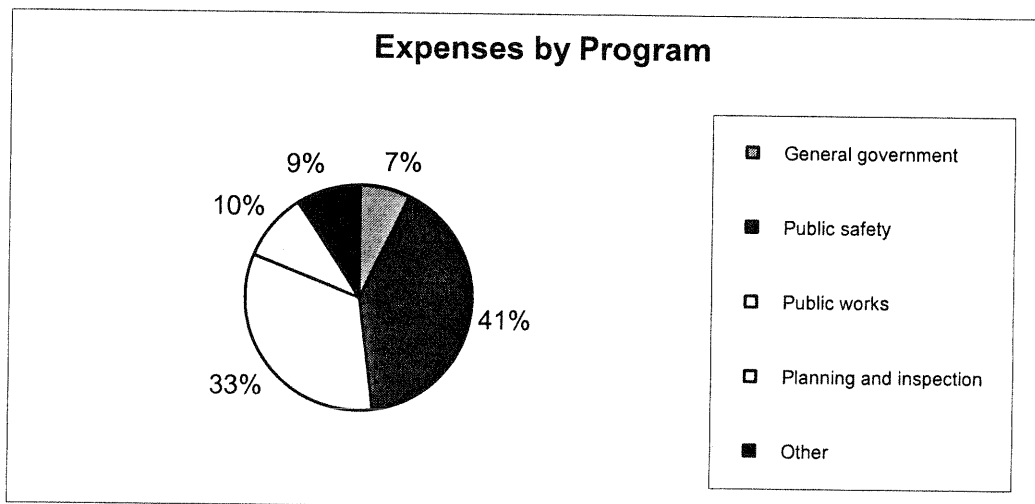
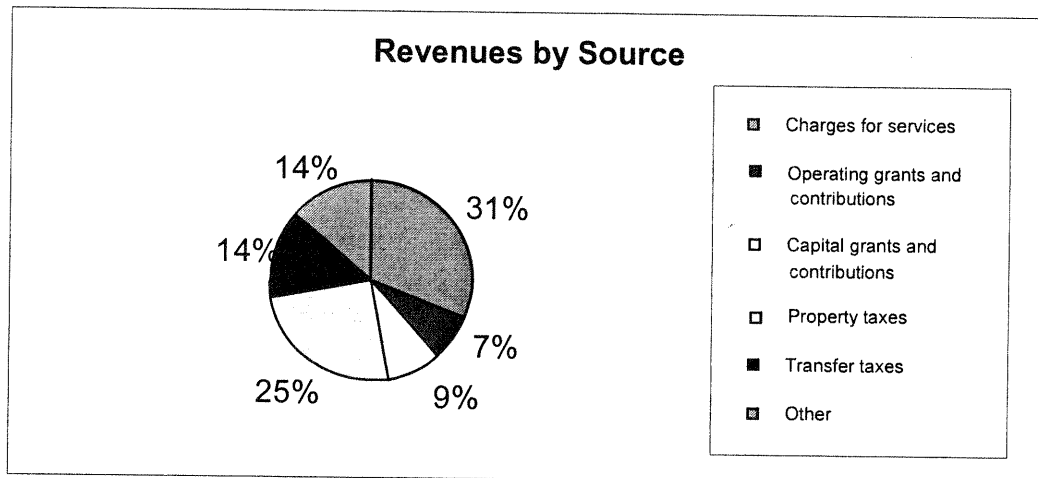
	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
REVENUES						
Program revenues:						
Charges for services	\$ 2,317,645	\$ 2,632,534	\$16,251,544	\$15,259,973	\$18,569,189	\$17,892,507
Operating grants and contributions	519,984	554,430	-	-	519,984	554,430
Capital grants and contributions	852,537	851,855	1,404,042	2,267,173	2,256,579	3,119,028
General revenues:						
Property taxes	1,841,492	1,201,024	-	-	1,841,492	1,201,024
Transfer taxes	1,051,590	962,133	-	-	1,051,590	962,133
Franchise fees	125,903	116,123	-	-	125,903	116,123
Investment earnings	196,127	303,640	2,396	1,805	198,523	305,445
Net gain on sale of capital assets	602,138	-	-	-	602,138	-
Other	75,126	42,196	-	-	75,126	42,196
TOTAL REVENUES	7,582,542	6,663,935	17,657,982	17,528,951	25,240,524	24,192,886
EXPENSES						
General government	541,804	759,203	-	-	541,804	759,203
Public safety	3,347,620	3,038,754	-	-	3,347,620	3,038,754
Public works	2,686,125	2,463,952	-	-	2,686,125	2,463,952
Planning and inspection	797,144	836,185	-	-	797,144	836,185
Library	272,447	283,318	-	-	272,447	283,318
Culture and recreation	356,473	301,762	-	-	356,473	301,762
Business park	13,325	12,805	-	-	13,325	12,805
Neighborhood housing rehabilitation	-	6,895	-	-	-	6,895
Interest on long-term debt	96,271	-	-	-	96,271	-
Electric	-	-	11,429,814	10,582,868	11,429,814	10,582,868
Water/sewer	-	-	2,743,058	2,499,947	2,743,058	2,499,947
TOTAL EXPENSES	8,111,209	7,702,874	14,172,872	13,082,815	22,284,081	20,785,689

Town of Smyrna
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STATEMENT OF CHANGES IN NET ASSETS

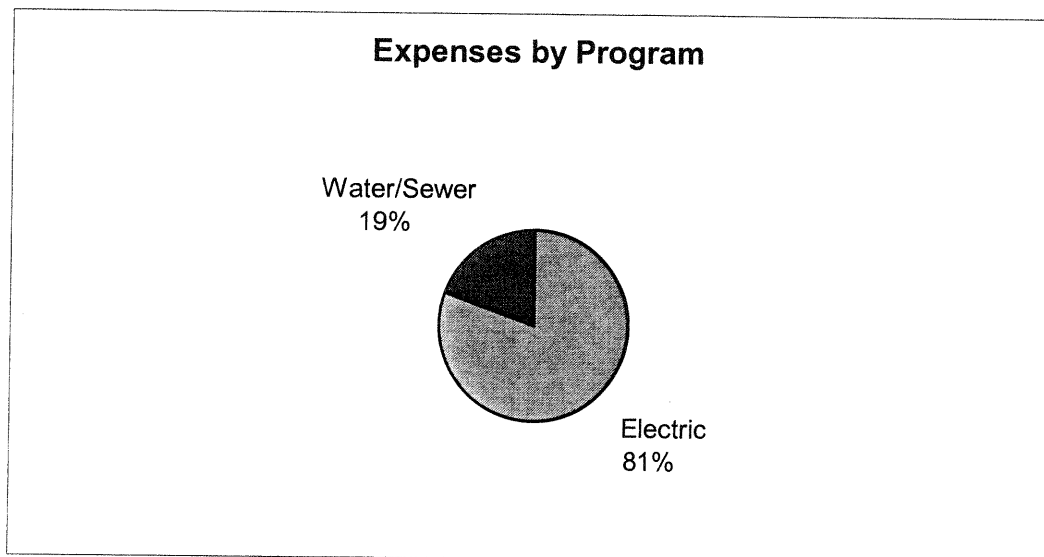
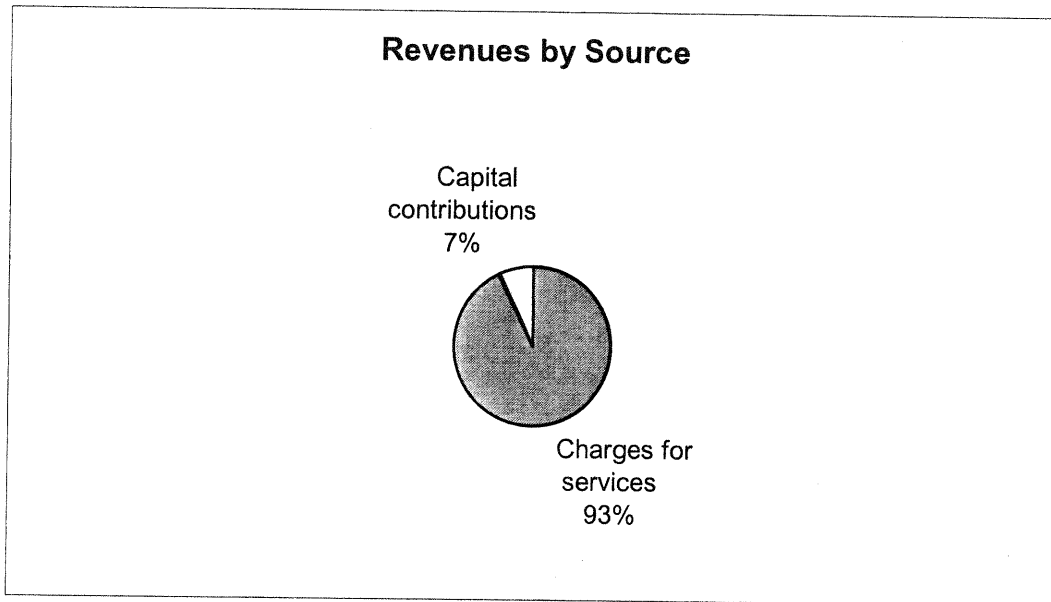
(cont'd)	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Change in net assets before Transfers	(528,667)	(1,038,939)	3,485,110	4,446,136	2,956,443	3,407,197
Transfers	2,228,153	2,474,694	(2,228,153)	(2,474,694)	-	-
CHANGE IN NET ASSETS	1,699,486	1,435,755	1,256,957	1,971,442	2,956,443	3,407,197
NET ASSETS, BEGINNING OF YEAR	20,194,924	18,759,169	21,016,471	19,045,029	41,211,395	37,804,198
NET ASSETS, END OF YEAR	\$21,894,410	\$20,194,924	\$22,273,428	\$21,016,471	\$44,167,838	\$41,211,395

The following charts illustrate the revenue sources and uses of funds for the governmental activities of the Town:



Town of Smyrna
Management's Discussion and Analysis - Unaudited (cont'd)
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The following charts illustrate the revenue sources and uses of funds for the business-type activities of the Town:



Town of Smyrna
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FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Town's *Governmental Funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the calendar year.

As of the end of the current calendar year, the Town's Governmental Funds reported combined ending fund balances of \$7,873,456. The primary component of this figure is the fund balance of the Capital Reserve Fund at \$7,343,233, which is reserved for future capital projects.

The General Fund is the primary operating fund of the Town. At the end of the current calendar year, the fund balance of the General Fund was \$322,647, all of which was considered unrestricted. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance to total fund expenditures. As of December 31, 2008, unreserved, undesignated fund balance represented approximately five percent of total general fund expenditures.

The fund balance of the Town's General Fund decreased by \$241,328 during the current calendar year. This is an increase of 25 percent as compared to the prior year decrease in fund balance. This increase is due mostly to the increase in property tax revenues that outstripped similar increases in the cost of providing general government, public safety and public works services.

Proprietary Fund. The Town's Proprietary Fund provides the same type of information found in the entity-wide financial statements but in more detail.

The unrestricted net assets of the Water and Sewer Fund and the Electric Fund at the end of the year amounted to \$2,284,157. The total growth in net assets for both funds was \$621,967 and \$634,990, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The schedule comparing the Town's budget and actual results can be found on page 19. A summary of variations between budget amounts and actual results is as follows:

- Original budgeted revenues and expenditures increased relative to intergovernmental revenues for grants that were not originally anticipated during the 2008 budgeting process.
- Actual revenues exceeded budgeted amounts by \$794,717. Amounts received for property taxes, special assessment fees and intergovernmental grants exceeded budgeted amounts by \$120,473, \$388,261 and \$178,587, respectively.
- Actual expenditures were \$486,404 under budgeted amounts, or six percent of the total budget.

Town of Smyrna
Management's Discussion and Analysis - Unaudited (cont'd)
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Capital Assets and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of December 31, 2008 amounts to \$44,970,140 (net of accumulated depreciation). The following table shows the breakdown of this figure.

CAPITAL ASSETS (net of depreciation)						
	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Land	\$ 1,249,124	\$ 1,195,768	\$ 85,171	\$ 45,171	\$ 1,334,295	\$ 1,240,939
Construction-in-progress	1,980,652	714,069	1,201,293	651,157	3,181,945	1,365,226
Land improvements	401,565	225,841	-	-	401,565	225,841
Buildings and improvements	1,646,095	1,689,448	2,401,838	2,460,956	4,047,933	4,150,404
Infrastructure	10,648,309	10,567,477	23,427,636	22,287,500	34,075,945	32,854,977
Machinery and equipment	1,560,148	1,165,065	368,309	394,722	1,928,457	1,559,787
	<u>\$17,485,893</u>	<u>\$15,557,668</u>	<u>\$27,484,247</u>	<u>\$25,839,506</u>	<u>\$44,970,140</u>	<u>\$41,397,174</u>

Significant capital asset events within the governmental activities included the following purchases and project expenditures:

- Public safety machinery and equipment totaling \$254,743
- General government machinery and equipment totaling \$220,328
- Public works machinery and equipment totaling \$153,966
- Streetscape improvement project totaling \$195,035
- Park development project totaling \$174,684
- Municipal complex project totaling \$153,966
- Infrastructure assets turned over to the town from developers totaling \$388,295

Significant capital asset events within the business-type activities included the following project expenditures:

- Town's Four Corners water and sewer project totaling \$139,120
- Mill Creek water and sewer project totaling \$188,449
- North water, water and sewer project totaling \$125,154
- Infrastructure assets turned over to the town from developers totaling \$414,713
- Historical downtown electrical project totaling \$431,114
- General electrical installation costs due to continued growth in Smyrna totaling \$796,836

Additional information on the Town's capital assets can be found in Note 4 of this report.

**Town of Smyrna
Management's Discussion and Analysis - Unaudited (cont'd)
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	Outstanding Debt Loans Payable	
	<u>2008</u>	<u>2007</u>
Governmental activities	\$ 3,297,079	\$ -
Business-type activities	<u>7,494,976</u>	<u>7,790,770</u>
TOTAL	<u>\$ 10,792,055</u>	<u>\$ 7,790,770</u>

The current legal long-term debt limit for the Town cannot exceed 4.5 percent of the total assessed valuation of all taxable property in the Town. This amounts to \$32,489,581 of the total assessed valuation, which is significantly more than the Town's outstanding debt.

In May 2008, the Town obtained permanent financing in the amount of \$3,356,000. The proceeds of this note will be used to finance construction for the municipal complex and electrical installation services for the Four Corners Shopping Center.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The Town adopted its 2009 General Fund budget in December 2008 totaling \$6,423,008 (includes indirect costs of \$1,213,852) in revenues and \$8,588,357 in expenditures. The difference between budgeted revenues and expenditures will be subsidized through operating transfers from the proprietary funds. This budget represents a decrease in budgeted revenues of two percent and a decrease in budgeted expenditures of three percent. Property tax rates remained the same as in the prior year at 25.26 cents per \$100 of assessed value.
- The majority of the Town's city limits are in Kent County of which the unemployment rate for the county was reported at 5.8 percent in December 2008. This compared favorably to the state's unemployment rate of 6.2 percent.
- The Town's total population at December 2008 is currently estimated at 10,435, an increase from the 2000 census, which placed the Town's total population at 5,679. It also is an increase from the estimated population at December 2007 of 9,975.
- The Town's occupancy rate for its central business district is currently 95 percent.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Manager of Accounting and Business Services, Town of Smyrna, P.O. Box 307, 27 South Market Street Plaza, Smyrna, DE 19977.

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 2,491,826	\$ 542,256	\$ 3,034,082
Investments	6,588,747	107,193	6,695,940
Taxes receivable	209,375	-	209,375
Accounts receivable	486,935	3,214,131	3,701,066
Other receivables	-	-	-
Inventory	1,187	1,045,391	1,046,578
Due from other governments	8,167	8,167	16,334
Prepaid expenses	129,993	26,591	156,584
Land held for resale	-	-	-
Restricted Assets:			
Meter deposits	-	257,817	257,817
Total Current Assets	9,916,230	5,192,192	15,108,422
Noncurrent Assets:			
Capital assets, net:			
Land	1,249,124	85,171	1,334,295
Construction-in-progress	1,980,652	1,201,293	3,181,945
Land improvements	401,565	-	401,565
Buildings and improvements	1,646,095	2,401,838	4,047,933
Infrastructure	10,648,309	23,427,636	34,075,945
Machinery and equipment	1,560,148	368,309	1,928,457
Total Noncurrent Assets	17,485,893	27,484,247	44,970,140
TOTAL ASSETS	\$ 27,402,123	\$ 32,676,439	\$ 60,078,562
LIABILITIES AND NET ASSETS			
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 593,275	\$ 1,271,533	\$ 1,864,808
Accrued salaries and benefits	78,603	14,222	92,825
Accrued interest	6,420	19,829	26,249
Developer deposits	162,169	1,226,714	1,388,883
Deferred revenue	927,472	3,667	931,139
Accrued compensated absences	28,636	-	28,636
Current portion of loans payable	105,794	306,877	412,671
Current Liabilities Payable from Restricted Assets:			
Meter deposits	-	257,817	257,817
Total Current Liabilities	1,902,369	3,100,659	5,003,028
Noncurrent Liabilities:			
Accrued compensated absences	414,059	114,253	528,312
Loans payable	3,191,285	7,188,099	10,379,384
Total Noncurrent Liabilities	3,605,344	7,302,352	10,907,696
TOTAL LIABILITIES	5,507,713	10,403,011	15,910,724
NET ASSETS			
Invested in capital assets, net of related debt	16,572,941	19,989,271	36,562,212
Unrestricted	1,126,660	2,284,157	3,410,817
Restricted for police	59,436	-	59,436
Restricted for public works	148,140	-	148,140
Restricted for capital projects	3,987,233	-	3,987,233
TOTAL NET ASSETS	21,894,410	22,273,428	44,167,838
TOTAL LIABILITIES AND NET ASSETS	\$ 27,402,123	\$ 32,676,439	\$ 60,078,562

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TOWN OF SMYRNA STATEMENT OF ACTIVITIES

GENERAL REVENUES

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TOWN OF SMYRNA
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2008
(With Summarized Comparative Data for December 31, 2007)

	General Fund	Capital Reserve Funds	Nonmajor Governmental Funds	Totals
				2008 2007
ASSETS				
Cash and cash equivalents	\$ 48,040	\$ 2,384,152	\$ 59,634	\$ 2,491,826
Investments	1,097,516	5,343,289	147,942	6,588,747
Taxes receivable	209,375	-	-	209,375
Accounts receivable	486,935	-	-	486,935
Due from other funds	-	-	-	-
Due from other governments	8,167	-	-	8,167
Prepaid expenditures	129,993	-	-	129,993
Inventory	1,187	-	-	1,187
Land held for resale, net	-	-	-	-
TOTAL ASSETS	\$ 1,981,213	\$ 7,727,441	\$ 207,576	\$ 9,916,230
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 209,067	\$ 384,208	\$ -	\$ 593,275
Due to other funds	-	-	-	-
Accrued salaries and benefits	107,239	-	-	107,239
Deferred revenue	1,180,091	-	-	1,180,091
Developer deposits	162,169	-	-	162,169
TOTAL LIABILITIES	1,658,566	384,208	-	2,042,774
FUND BALANCES:				
Unreserved	322,647	-	-	322,647
Reserved for police	-	-	59,436	59,436
Reserved for public works	-	-	148,140	148,140
Reserved for capital projects	-	7,343,233	-	7,343,233
Fund balance - reserved for land for resale	-	-	-	-
TOTAL FUND BALANCES	322,647	7,343,233	207,576	7,873,456
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,981,213	\$ 7,727,441	\$ 207,576	\$ 9,916,230
				\$ 5,911,112
				\$ 510,833
				10,936
				68,857
				158,356
				228,990
				977,972
				518,895
				53,776
				210,250
				4,105,139
				45,080
				4,933,140
				\$ 5,911,112

The accompanying notes are an integral part of these financial statements.

**TOWN OF SMYRNA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
STATEMENT OF NET ASSETS
DECEMBER 31, 2008**

TOTAL GOVERNMENTAL FUND BALANCES	\$ 7,873,456
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	17,485,893
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Some of the Town's revenues are not available to pay for current expenditures and therefore are not reported in the funds.	252,619
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Long-term liabilities, including loans payable and accrued interest, are not due and payable in the current period and therefore not reported in the funds.

Loans payable	\$ (3,297,079)	
Accrued interest	<u>(6,420)</u>	(3,303,499)

Compensated absences that are not due and payable in the current period are not reported in the funds.	<u>(414,059)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 21,894,410</u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF SMYRNA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008
(With Summarized Comparative Data for the Year Ended December 31, 2007)

	General Fund	Capital Reserve Funds	Nonmajor Governmental Funds	Totals
	2008	2007	2008	2007
REVENUES				
Taxes:				
Property taxes	\$ 1,743,747	\$ 1,743,747	\$ -	\$ 1,138,746
Transfer taxes	1,051,590	1,051,590	-	962,133
Special assessment/impact fees	624,061	624,061	-	843,486
Charges for services	945,717	945,717	-	929,401
Intergovernmental	459,587	459,587	254,965	621,854
Licenses, fees and permits	564,434	564,434	-	656,911
Fines and forfeits	85,312	85,312	-	76,161
Utility franchise fees	125,903	125,903	-	116,124
Investment income	35,778	152,871	7,478	303,640
Miscellaneous	83,662	-	550	108,219
TOTAL REVENUES	5,719,791	278,746	262,993	5,756,675
EXPENDITURES				
Current:				
General government	717,819	-	-	569,885
Public safety	3,439,570	-	35,017	3,204,640
Public works	1,610,426	-	284,426	1,833,994
Planning and inspection	790,029	-	-	838,069
Library	256,168	-	-	212,443
Culture and recreation	351,120	-	-	306,941
Business park	13,325	-	-	12,805
Neighborhood housing rehabilitation	-	-	-	6,895
Debt service:				
Principal	-	58,921	-	-
Interest	-	89,851	-	-
Capital outlay	-	1,929,437	-	592,002
TOTAL EXPENDITURES	7,178,457	2,078,209	319,443	7,577,674
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(1,458,666)	(1,799,463)	(56,450)	(1,820,999)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	624,367	-	-	2,710
Loan proceeds	-	3,356,000	-	-
Refund of prior year expenditures	46,375	-	-	-
Transfers in	546,596	3,028,962	-	2,812,575
Transfers out	-	(1,347,405)	-	(337,881)
TOTAL OTHER FINANCING SOURCES	1,217,338	5,037,557	-	2,477,404
NET CHANGES IN FUND BALANCES	(241,328)	3,238,094	(56,450)	656,405
FUND BALANCES, BEGINNING OF YEAR	563,975	4,105,139	264,026	4,276,735
FUND BALANCES, END OF YEAR	\$ 322,647	\$ 7,343,233	\$ 207,576	\$ 4,933,140

The accompanying notes are an integral part of these financial statements.

**TOWN OF SMYRNA
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ 2,940,316**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$2,378,347) exceeded depreciation (\$801,145). 1,577,202

In the statement of activities, contributed assets are recognized as a capital contribution and as capital assets, whereas in the governmental funds, they are not recognized. 388,295

The statement of activities reports a gain or loss on the disposal of capital assets based on the proceeds received and the net book value of the assets at the time of disposal. The loss on disposal is calculated as the excess of the assets disposed (\$126,423) over the accumulated depreciation of the assets disposed (\$89,151). (37,272)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Deferred revenues decreased by this amount this year. 97,744

The issuance of long-term debt (e.g., loans payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This is the amount by which proceeds exceeded repayments. (3,297,079)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (6,420)

Expenses accrued for compensated absences reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds. Compensated absences decreased by this amount this year. 36,700

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 1,699,486**

The accompanying notes are an integral part of these financial statements.

TOWN OF SMYRNA
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
DECEMBER 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Taxes:				
Property taxes	\$ 1,623,274	\$ 1,623,274	\$ 1,743,747	\$ 120,473
Transfer taxes	1,050,000	1,050,000	1,051,590	1,590
Special assessment/impact fees	235,800	235,800	624,061	388,261
Charges for services	882,000	882,000	945,717	63,717
Intergovernmental	242,000	281,000	459,587	178,587
Licenses, fees and permits	552,000	552,000	564,434	12,434
Fines and forfeits	100,000	100,000	85,312	(14,688)
Franchise fees	110,000	110,000	125,903	15,903
Investment income	60,000	60,000	35,778	(24,222)
Miscellaneous	31,000	31,000	83,662	52,662
TOTAL REVENUES	<u>4,886,074</u>	<u>4,925,074</u>	<u>5,719,791</u>	<u>794,717</u>
EXPENDITURES				
Current:				
General government	772,568	772,568	717,819	54,749
Public safety	3,392,089	3,431,089	3,439,570	(8,481)
Public works	1,644,690	1,644,690	1,610,426	34,264
Planning and inspection	1,012,767	1,012,767	790,029	222,738
Library	312,988	312,988	256,168	56,820
Culture and recreation	460,759	460,759	351,120	109,639
Business park	30,000	30,000	13,325	16,675
TOTAL EXPENDITURES	<u>7,625,861</u>	<u>7,664,861</u>	<u>7,178,457</u>	<u>486,404</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,739,787)</u>	<u>(2,739,787)</u>	<u>(1,458,666)</u>	<u>1,281,121</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of capital assets	-	-	624,367	624,367
Refund of prior year expenditures	-	-	46,375	46,375
Appropriated fund balance	381,100	381,100	-	(381,100)
Transfers in	2,358,687	2,358,687	546,596	(1,812,091)
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,739,787</u>	<u>2,739,787</u>	<u>1,217,338</u>	<u>(1,522,449)</u>
NET CHANGES IN FUND BALANCE	-	-	(241,328)	(241,328)
FUND BALANCE, BEGINNING OF YEAR	<u>563,975</u>	<u>563,975</u>	<u>563,975</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 563,975</u>	<u>\$ 563,975</u>	<u>\$ 322,647</u>	<u>\$ (241,328)</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SMYRNA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
DECEMBER 31, 2008
(With Summarized Comparative Data for December 31, 2007)

	Electric Fund	Water and Sewer Fund	Totals	
			2008	2007
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 21,127	\$ 521,129	\$ 542,256	\$ 1,650,174
Investments	107,193	-	107,193	105,332
Accounts receivable	2,799,047	415,084	3,214,131	2,593,548
Other receivables	-	-	-	411,858
Inventory	982,489	61,715	1,044,204	951,547
Prepaid expenses	18,994	7,597	26,591	26,840
Restricted Assets:				
Meter deposits	257,817	-	257,817	208,570
Total Current Assets	4,186,667	1,005,525	5,192,192	5,947,869
Noncurrent Assets:				
Capital assets, net	13,164,942	14,319,305	27,484,247	25,839,506
TOTAL ASSETS	<u>\$17,351,609</u>	<u>\$15,324,830</u>	<u>\$32,676,439</u>	<u>\$31,787,375</u>
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable	\$ 1,169,330	\$ 102,203	\$ 1,271,533	\$ 1,042,119
Accrued salaries and benefits	9,133	5,089	14,222	8,271
Due to other funds	-	-	-	152,105
Accrued interest	8,553	11,276	19,829	20,648
Developer deposits	1,226,714	-	1,226,714	1,418,799
Deferred revenue	3,667	-	3,667	4,542
Current portion of loans payable	154,352	152,525	306,877	295,794
Current Liabilities Payable from				
Restricted Assets:				
Meter deposits	257,817	-	257,817	208,570
Total Current Liabilities	2,829,566	271,093	3,100,659	3,150,848
Noncurrent Liabilities:				
Accrued compensated absences	58,564	55,689	114,253	125,080
Loans payable	4,260,361	2,927,738	7,188,099	7,494,976
Total Noncurrent Liabilities	4,318,925	2,983,427	7,302,352	7,620,056
TOTAL LIABILITIES	7,148,491	3,254,520	10,403,011	10,770,904
NET ASSETS				
Invested in capital assets, net of related debt	8,750,229	11,239,042	19,989,271	18,048,736
Unrestricted	1,452,889	831,268	2,284,157	2,967,735
TOTAL NET ASSETS	10,203,118	12,070,310	22,273,428	21,016,471
TOTAL LIABILITIES AND NET ASSETS	<u>\$17,351,609</u>	<u>\$15,324,830</u>	<u>\$32,676,439</u>	<u>\$31,787,375</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SMYRNA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008
(With Summarized Comparative Data for the Year Ended December 31, 2007)

	Electric Fund	Water and Sewer Fund	Totals	
			2008	2007
OPERATING REVENUES				
User service charges	\$ 12,771,000	\$ 3,062,288	\$ 15,833,288	\$ 15,056,223
Other operating revenue	354,246	64,010	418,256	203,750
Total Operating Revenues	<u>13,125,246</u>	<u>3,126,298</u>	<u>16,251,544</u>	<u>15,259,973</u>
OPERATING EXPENSES				
Electric purchased	8,927,732	-	8,927,732	8,231,998
Sewer charges	-	1,016,040	1,016,040	970,761
System maintenance	82,051	194,272	276,323	171,548
Salaries and wages	708,192	485,810	1,194,002	1,062,874
Employee benefits	471,919	329,233	801,152	730,847
Depreciation	484,263	337,301	821,564	746,754
Supplies and maintenance	138,369	85,297	223,666	220,746
Truck and vehicles	37,650	15,810	53,460	40,642
Insurance	38,269	15,409	53,678	46,939
Administration expenses	47,130	50,795	97,925	85,164
Professional services	214,493	127,327	341,820	385,802
Minor capital additions	19,388	5,940	25,328	26,208
Total Operating Expenses	<u>11,169,456</u>	<u>2,663,234</u>	<u>13,832,690</u>	<u>12,720,283</u>
OPERATING INCOME	<u>1,955,790</u>	<u>463,064</u>	<u>2,418,854</u>	<u>2,539,690</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	2,350	46	2,396	1,805
Interest expense	(205,358)	(79,824)	(285,182)	(317,532)
Intergovernmental	(55,000)	-	(55,000)	(45,000)
Total Nonoperating Expenses	<u>(258,008)</u>	<u>(79,778)</u>	<u>(337,786)</u>	<u>(360,727)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	<u>1,697,782</u>	<u>383,286</u>	<u>2,081,068</u>	<u>2,178,963</u>
Transfers in	462,815	520,029	982,844	259,658
Transfers out	(2,347,007)	(863,990)	(3,210,997)	(2,734,352)
Developer capital contributions	<u>821,400</u>	<u>582,642</u>	<u>1,404,042</u>	<u>2,267,173</u>
CHANGE IN NET ASSETS	<u>634,990</u>	<u>621,967</u>	<u>1,256,957</u>	<u>1,971,442</u>
NET ASSETS, BEGINNING OF YEAR	<u>9,568,128</u>	<u>11,448,343</u>	<u>21,016,471</u>	<u>19,045,029</u>
NET ASSETS, END OF YEAR	<u><u>\$10,203,118</u></u>	<u><u>\$12,070,310</u></u>	<u><u>\$22,273,428</u></u>	<u><u>\$21,016,471</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SMYRNA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008
(With Summarized Comparative Data for the Year Ended December 31, 2007)

	Electric Fund	Water and Sewer Fund	Totals	
			2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:				
Received from customers	\$12,909,813	\$ 3,093,740	\$ 16,003,553	\$ 14,607,580
Paid to suppliers for goods and services	(9,446,477)	(1,492,186)	(10,938,663)	(10,163,757)
Paid to employees for services	(1,186,306)	(813,724)	(2,000,030)	(1,815,345)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,277,030</u>	<u>787,830</u>	<u>3,064,860</u>	<u>2,628,478</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	462,815	520,029	982,844	259,658
Transfers out	(2,347,007)	(863,990)	(3,210,997)	(2,734,352)
Advances to other funds	(107,193)	-	(107,193)	(105,332)
Grant-in-aid	(55,000)	-	(55,000)	(45,000)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>(2,046,385)</u>	<u>(343,961)</u>	<u>(2,390,346)</u>	<u>(2,625,026)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from loan payable	-	-	-	5,410,470
Repayment of loans payable	(146,920)	(148,874)	(295,794)	(4,803,081)
Developer contributions and repayments of escrows, net	729,877	-	729,877	2,188,307
Acquisition and construction of capital assets	(1,358,127)	(525,536)	(1,883,663)	(1,590,122)
Interest paid	(205,643)	(80,358)	(286,001)	(308,696)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(980,813)</u>	<u>(754,768)</u>	<u>(1,735,581)</u>	<u>896,878</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	2,350	46	2,396	1,805
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>2,350</u>	<u>46</u>	<u>2,396</u>	<u>1,805</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(747,818)	(310,853)	(1,058,671)	902,135
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,026,762</u>	<u>831,982</u>	<u>1,858,744</u>	<u>956,609</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 278,944</u>	<u>\$ 521,129</u>	<u>\$ 800,073</u>	<u>\$ 1,858,744</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income	\$ 1,955,790	\$ 463,064	\$ 2,418,854	\$ 2,539,690
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	484,263	337,301	821,564	746,754
Changes in assets and liabilities:				
(Increase) in accounts/other receivables	(166,116)	(42,609)	(208,725)	(525,430)
(Increase) Decrease in inventory	(103,339)	10,682	(92,657)	(236,242)
Decrease (Increase) in prepaid expenses	34	215	249	(6,162)
Increase in accounts payable	210,710	18,704	229,414	16,051
(Decrease) Increase in due to other funds	(152,105)	-	(152,105)	152,105
Increase in accrued salaries and benefits	3,502	2,449	5,951	1,981
(Decrease) in deferred revenue	(29)	(846)	(875)	(207)
Increase (Decrease) in meter deposit liability	49,247	-	49,247	(19,405)
(Decrease) in compensated absences	(4,927)	(1,130)	(6,057)	(40,657)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,277,030</u>	<u>\$ 787,830</u>	<u>\$ 3,064,860</u>	<u>\$ 2,628,478</u>
Noncash capital and related financing activities:				
Contributions of capital assets from developers	<u>\$ -</u>	<u>\$ 582,642</u>	<u>\$ 582,642</u>	<u>\$ 2,725,356</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS:				
Cash and cash equivalents	\$ 21,127	\$ 521,129	\$ 542,256	\$ 1,650,174
Meter deposits, restricted	257,817	-	257,817	208,570
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 278,944</u>	<u>\$ 521,129</u>	<u>\$ 800,073</u>	<u>\$ 1,858,744</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SMYRNA
STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
DECEMBER 31, 2008
(With Summarized Comparative Data for December 31, 2007)

	Police Pension Trust Fund	Employee Pension Trust Fund	Totals	
			2008	2007
ASSETS				
Cash and cash equivalents	\$ 51,188	\$ 65,580	\$ 116,768	\$ 367,693
Investments	1,344,546	1,812,385	3,156,931	3,592,666
Insurance contracts	<u>1,788,431</u>	<u>1,376,837</u>	<u>3,165,268</u>	<u>3,149,975</u>
TOTAL ASSETS	<u><u>\$ 3,184,165</u></u>	<u><u>\$ 3,254,802</u></u>	<u><u>\$ 6,438,967</u></u>	<u><u>\$ 7,110,334</u></u>
LIABILITIES AND NET ASSETS				
LIABILITIES	\$ -	\$ -	\$ -	\$ -
NET ASSETS				
Assets held in trust for employee pension benefits	<u>3,184,165</u>	<u>3,254,802</u>	<u>6,438,967</u>	<u>7,110,334</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,184,165</u></u>	<u><u>\$ 3,254,802</u></u>	<u><u>\$ 6,438,967</u></u>	<u><u>\$ 7,110,334</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SMYRNA
STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008
(With Summarized Comparative Data for the Year Ended December 31, 2007)

	<u>Police Pension Trust Fund</u>	<u>Employee Pension Trust Fund</u>	<u>Totals</u>	
			<u>2008</u>	<u>2007</u>
ADDITIONS AND INVESTMENT LOSSES				
Contributions:				
Employer contribution	\$ 343,321	\$ 493,464	\$ 836,785	\$ 813,193
State aid - police	89,888	-	89,888	100,387
Total Contributions	<u>433,209</u>	<u>493,464</u>	<u>926,673</u>	<u>913,580</u>
Investment Income (Loss):				
Interest and dividends	146,734	143,854	290,588	271,054
Realized gain on sale of investments	27,894	47,426	75,320	159,864
Net (depreciation) appreciation in fair value of investments	<u>(694,131)</u>	<u>(973,121)</u>	<u>(1,667,252)</u>	<u>47,981</u>
Net Investment Income (Loss)	<u>(519,503)</u>	<u>(781,841)</u>	<u>(1,301,344)</u>	<u>478,899</u>
TOTAL ADDITIONS AND INVESTMENT GAINS (LOSSES)	<u>(86,294)</u>	<u>(288,377)</u>	<u>(374,671)</u>	<u>1,392,479</u>
DEDUCTIONS				
Benefits paid	133,767	82,030	215,797	208,723
Administrative expenses	<u>42,795</u>	<u>38,104</u>	<u>80,899</u>	<u>73,271</u>
TOTAL DEDUCTIONS	<u>176,562</u>	<u>120,134</u>	<u>296,696</u>	<u>281,994</u>
CHANGE IN NET ASSETS	(262,856)	(408,511)	(671,367)	1,110,485
NET ASSETS, BEGINNING OF YEAR	<u>3,447,021</u>	<u>3,663,313</u>	<u>7,110,334</u>	<u>5,999,849</u>
NET ASSETS, END OF YEAR	<u>\$ 3,184,165</u>	<u>\$ 3,254,802</u>	<u>\$ 6,438,967</u>	<u>\$ 7,110,334</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Smyrna complies with generally accepted accounting principles ("GAAP"). GAAP includes all relevant Governmental Accounting Standards Board ("GASB") pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Financial Reporting Entity

The Town of Smyrna, Delaware (the "Town") was incorporated in 1817, under the provisions of the State of Delaware. The Town operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety, public works, utilities, culture and recreation, planning and inspection, and general government.

GASB established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. The criteria used in determining whether such organizations should be included in the Town's financial reporting entity are financial interdependences, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, scope of public service and special financing relationships.

The Town has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the Town's financial statements. In addition, the Town is not aware of any entity which would exercise such oversight which would result in the Town being considered a component unit of the entity.

Entity-wide and Fund Financial Statements

The entity-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Town. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the last are excluded from the entity-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds. In addition, the fund financial statements present fiduciary funds by fund type.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items (nonexchange transactions) are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

The entity-wide financial statements report net assets in one of three components. Invested in net assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets. Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Those restrictions affect net assets arising from special revenue and capital funds. Unrestricted net assets consist of net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted."

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

The government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers property tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state and other grants designated for payment of specific Town expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as deferred revenues until earned. Other revenues, including charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they generally are not measurable until actually received.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Expenditures are recorded when the related fund liability is incurred (upon receipt of goods or services), except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital assets acquisitions are reported as expenditures in governmental funds. Long-term debt issues and acquisitions under capital leases are reported as other financing sources.

The Town reports the following major governmental funds:

General Fund – This fund is used to account for the general operating activities of the Town. General government, library, public safety, public works, culture and recreation, planning and inspections, and the business park are financed through this fund with receipts from general property taxes, transfer taxes, licenses and permits, investment interest, fines, charges for current services, intergovernmental and other revenue.

Capital Reserve Fund – This fund is used to account for the design, construction and improvement of Town buildings, land improvements, and the purchase and replacement of vehicles and machinery and equipment.

Nonmajor Governmental Funds – In addition to the above major governmental funds, the Town includes the Municipal Street Aid, S.A.L.L.E., E.I.D.E., Resource Officer and Forfeiture funds in their financial statements.

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are financed primarily by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods or services in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Town's proprietary funds are electric and water/sewer charges. Operating expenses for the Town's proprietary funds include salaries, employee benefits, production costs, supplies and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following major proprietary funds:

Electric Fund - Used to account for the operation of an electric distribution system.

Water and Sewer Fund - Used to account for the operation of a water supply and sewage collection system.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Fiduciary funds account for assets held by the Town as a trustee for individuals, private organizations and/or governmental units and are, therefore, not available to support the Town's operations. The measurement focus and basis of accounting for fiduciary funds is the same as for proprietary funds.

The Town also reports the following fund type:

Pension Trust Funds - These funds are used to account for the assets held by the Pension Plan in a trustee capacity for the employees of the Town. The Pension Plan, which is part of the Town's legal entity, is a single-employer defined benefit pension plan that provides benefits to Town employees.

All entity-wide and business-type activities and proprietary funds of the Town follow Financial Accounting Standards Board ("FASB") Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The Town also has the option to follow subsequent private-sector guidance for its business-type activities and proprietary funds with certain limitations, but has elected not to do so.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the proprietary funds consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Allowance for Doubtful Accounts

The Town of Smyrna's water, sewer and electric utilities experience very small losses from uncollectible accounts. Water and sewer fees constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Electric fees do not constitute a lien; however, maintenance of adequate customer deposits, monthly billing and diligent collection procedures minimize losses from uncollectible accounts. Accordingly, an allowance for doubtful accounts has not been established by the Town for its proprietary funds.

Inventories and Prepaid Expenses

Inventories of business-type activities and proprietary fund types are valued at average cost. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Capital Assets

Capital assets, including property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide financial statements. The Town has defined capital assets as assets with an initial, individual cost of more than \$5,000; capital projects, inclusive of ancillary costs, in excess of \$100,000; and an

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

estimated useful life in excess of one year. Capital assets may be purchased or constructed and are recorded at cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Capital assets of the Town are depreciated using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings and improvements	50 years
Infrastructure	20-50 years
Land improvements	20-50 years
Machinery and equipment	5-20 years

Compensated Absences

Regular, full-time employees begin to accrue vacation and sick leave when they are hired; however, they are not eligible to use vacation and sick leave until they have completed their first six months of employment. Sick leave is accrued at the rate of 12 days per completed year prorated at the rate of one day for each completed month of service. Employees may accumulate an unlimited number of sick leave days. One-half of the full amount accumulated up to 45 days maximum is paid if termination is through retirement or death. Vacation is accrued for each month of work performed. The accrual rate increases with years of service up to a maximum of 24 days per year for 20 years of service and over. Accrued vacation is paid to the employees upon termination of employment for employees who have completed at least six months of continuous service. In addition, a vacation sell back policy has been instituted, in which case, in December, an employee has the ability to sell back up to a maximum of five days of unused vacation leave earned by the employee since the prior December.

Accumulated vacation and sick leave is accrued when incurred in the entity-wide financial statements and proprietary fund types. A liability is reported in the governmental funds only if it is expendable from available financial resources. Historically, the General Fund has been responsible for liquidation of compensated absences associated with governmental fund activities. Compensated absences associated with proprietary funds are liquidated from the fund in which the liability was generated.

At December 31, 2008, accrued compensated absences for governmental activities totaled \$442,695. This total is comprised of accrued vacation leave of \$171,492 and accrued sick leave of \$271,203. In addition, at December 31, 2008, accrued compensated absences in the business-type activities and proprietary funds totaled \$114,253. This total is comprised of accrued vacation leave of \$46,755 and accrued sick leave of \$67,498.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Long-term Obligations

In the entity-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and bond issuance costs during the current financial period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Payments of long-term obligations are to be funded by the fund that incurred the debt.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The proprietary funds report the same three components of net assets as do the entity-wide financial statements. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first and then unrestricted resources as they are needed.

Property Taxes

Property taxes attach as an enforceable lien on property when levied. All liens continue until property taxes are paid in full. Taxes are levied on May 1 and are payable on or before September 30. Taxes paid before May 31 are given a six percent discount. Taxes paid after the payable date are assessed interest at 1-1/2 percent per month after the due date. The Town bills and collects its own property taxes. Town property tax revenues are recognized on a pro rata basis. Delinquent taxes are considered fully collectible and, therefore, no allowance for uncollectible taxes is provided. The property tax rate for 2008 was 25.26 cents per \$100 of assessed value.

Use of Estimates In the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgetary integration is employed as a management control device during the year for the General Fund. This budget is adopted on a basis consistent with generally accepted accounting principles.
- b. The Town Council adopts legal annual budgets for the General Fund and Proprietary Funds. The Town Council also adopts legal project length budgets for its Capital Reserve Fund and certain nonmajor governmental funds. Since project periods may differ from the Town's fiscal year, a comparison of budgetary information for the combined Capital Reserve Fund and certain nonmajor governmental funds would not be meaningful and has not been presented in the accompanying financial statements.
- c. The Town Manager is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter the total appropriations of any fund must be approved by the Town Council. Therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis.
- d. Unused appropriations for all of the above annually budgeted funds lapse at year end.
- e. For 2008, there were revisions to the legally adopted budgets.

NOTE 3 CASH, CASH EQUIVALENTS AND INVESTMENTS

The Town of Smyrna as a depositor and an investor generally requires full and continuous collateralization based upon fair value in the form of:

- Obligations of or guaranteed by the United States of America, or
- Obligations of the Federal National Mortgage Association, the Federal Home Mortgage Corporation, Public Housing Authority or an agency or instrumentality of the United States of America, or
- General or revenue obligations of the State of Delaware or its municipalities, subdivisions, public housing authorities or any agency or instrumentality of the State of Delaware.

As an investor, the Town of Smyrna may invest in any of the above cited instruments and/or certificates of deposit or repurchase agreements fully collateralized by one or more of the above-cited instruments.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 CASH, CASH EQUIVALENTS AND INVESTMENTS (cont'd)

The Town maintains a cash and investment pool that is available for use by all funds. This pool is displayed on the balance sheet and the statement of net assets as either cash or investments. Deposits and investments of governmental, proprietary and fiduciary funds are reported at fair value.

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2008, the carrying amount of the Town's deposits was \$3,291,899 and the bank balance was \$3,568,728. Of the bank balance, \$271,067 was covered by federal depository insurance, and \$3,297,661 was insured or registered and the securities held by the Town or its agent in the Town's name.

The above does not include pension fund deposits disclosed in Notes 7 and 8.

Investments

As of December 31, 2008, the Town had the following investments:

U.S. Treasury bills	\$ 2,992,749
Mutual funds	3,200,771
U.S. Treasury notes	<u>502,420</u>
	<u>\$ 6,695,940</u>

U.S. Treasury bills and notes are securities of agencies of the U.S. Government that have an implied but not explicit guarantee. Investments in external investment pools, such as those in mutual funds, are disclosed but not subject to interest rate, custodial, credit or concentration risks because they are not evidenced by securities that exist in physical or book entry form.

Interest Rate Risk

The Town has an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments under the Town's investment policy are limited to a maximum maturity at time of purchase of four years. The Town may, for purposes of the Capital Reserve Fund only, invest in instruments having a maximum maturity at the time of purchase of 10 years; provided, however, that the maximum average maturity of the portfolio of the Capital Reserve Fund shall be seven years. At December 31, 2008, the Town's investments in U.S. Treasury notes had maturity dates of less than one year.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 CASH, CASH EQUIVALENTS AND INVESTMENTS (cont'd)

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Town has no investments subject to custodial credit risk.

Credit Risk

The Town has an investment policy which limits investment choices to those which are backed by the full faith and credit of the U.S. Government through either an explicit or implied manner; obligations of a state, county or city or institutional investment pools with a Moody's Investor Services rating of "A" or better or an equivalent rating from other industry-recognized rating agencies; and investments in corporate bonds and debentures with a Moody's Investor Services or Standard and Poors rating of at least "AA." The Town has no investments subject to credit risk.

Concentration Risk

The investment policy of the Town does not limit amounts invested in U.S. Government guaranteed obligations.

The above does not include pension fund investments disclosed in Notes 7 and 8.

NOTE 4 CAPITAL ASSETS

The capital asset activity for the year ended December 31, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,195,768	\$ 53,356	\$ -	\$ 1,249,124
Construction-in-progress	714,069	1,283,250	16,667	1,980,652
Total Capital Assets Not Being Depreciated	1,909,837	1,336,606	16,667	3,229,776
Capital assets being depreciated:				
Buildings and improvements	2,499,454	5,100	-	2,504,554
Infrastructure	14,752,991	574,755	-	15,327,746
Land improvements	572,375	191,351	-	763,726
Machinery and equipment	3,022,392	675,497	126,423	3,571,466
Total Capital Assets Being Depreciated	20,847,212	1,446,703	126,423	22,167,492

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4

CAPITAL ASSETS (cont'd)

	Beginning Balance	Increases	Decreases	Ending Balance
Less accumulated depreciation for:				
Buildings and improvements	810,006	48,453	\$ -	858,459
Infrastructure	4,185,514	493,923	-	4,679,437
Land improvements	346,534	15,627	-	362,161
Machinery and equipment	1,857,327	243,142	89,151	2,011,318
Total accumulated depreciation	<u>7,199,381</u>	<u>801,145</u>	<u>89,151</u>	<u>7,911,375</u>
Total Capital Assets Being Depreciated, Net	<u>13,647,831</u>	<u>645,558</u>	<u>37,272</u>	<u>14,256,117</u>
Governmental Activities Assets, Net	<u>\$15,557,668</u>	<u>\$1,982,164</u>	<u>\$ 53,939</u>	<u>\$17,485,893</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 45,171	\$ 40,000	\$ -	\$ 85,171
Construction-in-progress	<u>651,157</u>	<u>921,708</u>	<u>371,572</u>	<u>1,201,293</u>
Total Capital Assets Not Being Depreciated	<u>696,328</u>	<u>961,708</u>	<u>371,572</u>	<u>1,286,464</u>
Capital assets being depreciated:				
Buildings and improvements	2,959,171	-	-	2,959,171
Infrastructure	25,686,283	1,829,677	-	27,515,960
Machinery and equipment	<u>1,186,785</u>	<u>46,492</u>	<u>-</u>	<u>1,233,277</u>
Total Capital Assets Being Depreciated	<u>29,832,239</u>	<u>1,876,169</u>	<u>-</u>	<u>31,708,408</u>
Less accumulated depreciation for:				
Buildings and improvements	498,215	59,118	-	557,333
Infrastructure	3,398,783	689,541	-	4,088,324
Machinery and equipment	<u>792,063</u>	<u>72,905</u>	<u>-</u>	<u>864,968</u>
Total accumulated depreciation	<u>4,689,061</u>	<u>821,564</u>	<u>-</u>	<u>5,510,625</u>
Total Capital Assets Being Depreciated, Net	<u>25,143,178</u>	<u>1,054,605</u>	<u>-</u>	<u>26,197,783</u>
Business-type Activities Assets, Net	<u>\$25,839,506</u>	<u>\$2,016,313</u>	<u>\$ 371,572</u>	<u>\$27,484,247</u>

Depreciation expense was charged to the functions as follows:

Governmental Activities:	
General government	\$ 90,279
Public safety	128,604
Public works	556,676
Planning and inspection	2,962
Library	12,844
Culture and recreation	<u>9,780</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 801,145</u>

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS (cont'd)

Business-type Activities:

Electric	\$ 484,263
Water	<u>337,301</u>

Total Depreciation Expense - Business-type Activities \$ 821,564

NOTE 5 LONG-TERM DEBT

A schedule of changes in long-term debt is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Loans payable	\$ -	\$ 3,356,000	\$ 58,921	\$ 3,297,079	\$ 105,794
Compensated absences	<u>450,759</u>	<u>226,398</u>	<u>263,098</u>	<u>414,059</u>	<u>28,636</u>
TOTAL	<u>\$ 450,759</u>	<u>\$ 3,582,398</u>	<u>\$ 322,019</u>	<u>\$ 3,711,138</u>	<u>\$ 134,430</u>
Business-type Activities					
Loans payable	\$ 7,790,770	\$ -	\$ 295,794	\$ 7,494,976	\$ 306,877
Compensated absences	<u>125,080</u>	<u>34,577</u>	<u>45,404</u>	<u>114,253</u>	<u>-</u>
TOTAL	<u>\$ 7,915,850</u>	<u>\$ 34,577</u>	<u>\$ 341,198</u>	<u>\$ 7,609,229</u>	<u>\$ 306,877</u>

Loans Payable

Governmental Activities:

The Town obtained permanent financing in the amount of \$3,365,000. The proceeds of this note will be used to finance construction for the municipal complex and electrical installation services for the Four Corners Shopping Center. The loan requires monthly payments of \$21,232, including interest at 4.50%, with a balloon payment due May 14, 2012.

\$3,297,079

Total Governmental Activities

\$3,297,079

Business-type Activities:

Loan payable issued by the Delaware Economic Development Authority to fund the Town's water main expansion which will serve the Walmart Distribution Center on Route 300. The loan matures on May 1, 2013 and bears no interest. Annual principal payments in the amount of \$7,500 are due on May 1.

\$ 37,500

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 LONG-TERM DEBT (cont'd)

Loan payable issued by the Delaware Department of Natural Resources and Environmental Control and administered by the Delaware Department of Health and Social Services to fund a drinking water well located on Carter Road. The loan matures on May 1, 2024 and bears interest at 2.72% payable on May 1 and November 1.

1,387,445

Loan payable issued by the Delaware Department of Natural Resources and Environmental Control and administered by the Delaware Department of Health and Social Services to fund the North Water Tower. The loan matures on May 15, 2027 and bears interest at 2.41% payable on May 15 and November 15.

1,655,318

The Town obtained permanent financing in the amount of \$4,644,000 to pay off a Bond Anticipation Note which matured April 27, 2007. The proceeds from the Bond Anticipation Note were used to finance the development and construction of an electric substation. The loan requires monthly payments of \$29,380, including interest at 4.50%, with a balloon payment due May 14, 2012.

4,414,713

Total Business-type Activities

\$7,494,976

An analysis of debt service requirements to maturity on the loans is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Maturities</u>
2009	\$ 412,671	\$ 423,906	\$ 836,577
2010	428,537	408,039	836,576
2011	445,064	391,511	836,575
2012	7,058,483	169,736	7,228,219
2013	168,100	61,132	229,232
2014-2018	867,433	241,527	1,108,960
2019-2023	985,490	123,170	1,108,660
2024-2027	<u>426,277</u>	<u>18,879</u>	<u>445,156</u>
Total	<u>\$10,792,055</u>	<u>\$ 1,837,900</u>	<u>\$12,629,955</u>

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 INTERFUND BALANCE AND TRANSFERS

The composition of interfund transfers for the year ended December 31, 2008 were as follows:

<u>Interfund Transfers</u>	<u>Transfer to Other Funds</u>	<u>Transfer from Other Funds</u>
General Fund	\$ -	\$ 546,596
Capital Reserve Fund	1,347,405	3,028,962
Water and Sewer Fund	863,990	520,029
Electric Fund	<u>2,347,007</u>	<u>462,815</u>
 TOTAL	 <u>\$ 4,558,402</u>	 <u>\$ 4,558,402</u>

Transfers from the proprietary funds to the General Fund represent Board-approved transfers to subsidize the operations of the Town's primary government. All other transfers represent the flow of resources to accommodate the costs of certain capital projects.

NOTE 7 POLICE PENSION FUND

Plan Description and Provisions

The Town's Police Pension Fund is a single-employer defined benefit pension plan established to provide a retirement income to supplement the benefits payable under Social Security. The full cost of the plan is assumed by the Town. Contributions are not required of the Town's police officers.

The plan was established as of January 1, 1996, spun off in 1975 to create the current plans revised as of January 1994. The financial records are maintained on a plan year which begins each January 1 and ends on December 31.

The plans are administered by the Committee (Plan Administration) which is comprised of the Mayor and Town Council. The Committee is fully responsible for the plan's administration, including eligibility for participation and determination of benefits. The Town Council has delegated the authority to manage certain plan assets to Linsco/Private Ledger Financial Services and Aetna Life Insurance Company.

As of January 1, 2008, pension plan membership consisted of the following:

Active employees	20
Terminated vested participants	4
Retirees and beneficiaries currently receiving benefits	<u>8</u>
	<u>32</u>

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 POLICE PENSION FUND (cont'd)

Police Pension Fund plan benefit provisions are as follows:

All police officers are eligible to participate in the plan after completing one year of service, if they have attained their 21st birthday and 1,000 hours of continuous employment during the plan year.

Effective January 1, 1993, employees who are discharged or resign before qualifying for retirement benefits will be entitled to 100 percent vested interest in their accrued pension benefits, payable as of the first day of the month following their normal retirement date provided that they have completed at least five full years of service to the Town.

The pension plan provides for normal retirement at the earlier of attainment of age 50 and completion of 10 years of participation or completion of 20 years of vesting service; and for employees hired after April 19, 1999, the earlier of attainment of age 55 and completion of 10 years of participation, or completion of 20 years of vesting service.

Participant benefits are based on 2-1/2 percent of the three highest years of average compensation multiplied by benefit service.

There is no provision for early retirement.

Basis of Accounting

The plan's policy is to prepare its financial statements on the accrual basis of accounting.

Valuation of Investments

In accordance with GASB No. 25, investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

The pension plan's unallocated insurance contracts are valued at contract value. Contract value represents contributions made under the contract, plus interest at the contract rate, less funds used to purchase annuities and pay administrative expenses charged by the company.

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2008, the carrying amount and bank balance of the police pension fund deposits was \$51,188. Of this amount, \$41,212 was

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7

POLICE PENSION FUND (cont'd)

insured or registered and the securities held by the Town or its agent in the Town's name; and \$9,976 was equal to the deposits in a federated prime obligations fund held by the trustee of the pension plan in the Town's name.

Investments

The investment objective of the Town of Smyrna Police Pension Plan is to maintain a balanced portfolio comprised of equity, fixed income and cash equivalent securities and, as such, is intended to be structured less aggressively than speculative portfolios.

As of December 31, 2008, the Town of Smyrna Police Pension Plan had the following investments:

	<u>Fair Value</u>
Domestic equity mutual funds and corporate bonds	\$ 1,344,546
Unallocated fixed income insurance contracts	<u>1,788,431</u>
Total	<u>\$ 3,132,977</u>

Investments in external investment pools, such as those in mutual funds and fixed income insurance contracts, are disclosed but not subject to interest rate, custodial, credit or concentration risks because they are not evidenced by securities that exist in physical or book entry form.

Administrative Costs

Administrative costs, including the investment manager, custodial trustee and actuarial services, are charged and paid by short-term assets of the plan.

Annual Pension Cost

Periodic employer contributions to the pension plan are determined on an actuarial basis using the entry age normal method assuming an investment return of seven percent and a compensation increase of 4.5 percent per year. Prior to the 2004 fiscal year, employer contributions were determined on an actuarial basis using the frozen age entry method. The change in the Town's funding policy from the frozen age entry method to the entry age normal method was implemented to eliminate the plan's unfunded actuarial liability at the end of 15 years from January 1, 2004.

The entry age normal method determines a projected benefit at each active participant's assumed retirement age assuming future compensation increases. The plan's normal cost is the sum of each active participant's annual cost for the current year of service determined such that, if it were calculated as a level percentage of compensation each year, it would accumulate at the valuation interest rate over the total

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 POLICE PENSION FUND (cont'd)

prior and future years of service to the assumed retirement date into an amount sufficient to fund the projected benefit. The plan's accrued liability is the sum of the accumulation of each active participant's normal costs attributable to all prior years of service plus the present value of each inactive participant's future benefits.

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
12/31/2008	\$ 433,209	100.00%	\$ (128,071)
12/31/2007	\$ 434,667	106.82%	\$ (128,071)
12/31/2006	\$ 355,321	91.70%	\$ (98,442)

The above information regarding the Police Pension Fund was taken from the January 1, 2008 Actuarial Valuation presented by Milliman USA, Inc., signed by Graham A. Harrison, FSA and Jill M. Stanulis, EA dated December 2008.

NOTE 8 FULL-TIME EMPLOYEES PENSION FUND

Plan Description and Provisions

The Town's Full-Time Employee Pension Fund is a single-employer defined benefit pension plan established to provide a retirement income to supplement the benefits payable under Social Security. The full cost of the plan is assumed by the Town. Contributions are not required of the Town's employees.

The plan was established as of January 1, 1996, spun off in 1975 to create the current plans revised as of January 1994. The financial records are maintained on a plan year which begins each January 1 and ends on December 31.

The plans are administered by the Committee (Plan Administration) which is comprised of the Mayor and Town Council. The Committee is fully responsible for the plan's administration, including eligibility for participation and determination of benefits. The Town Council has delegated the authority to manage certain plan assets to Linsco/Private Ledger Financial Services and Aetna Life Insurance Company.

As of January 1, 2008, pension plan membership consisted of the following:

Active employees	49
Terminated vested participants	20
Retirees and beneficiaries currently receiving benefits	<u>6</u>
	<u>75</u>

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 FULL-TIME EMPLOYEES PENSION FUND (cont'd)

Full-time Employee Pension Fund plan benefit provisions are as follows:

All full-time employees are eligible to participate in the plan after completing one year of service, if they have attained their 21st birthday and 1,000 hours of continuous employment during the plan year.

Effective January 1, 1993, employees who are discharged or resign before qualifying for retirement benefits will be entitled to 100 percent vested interest in their accrued pension benefits, payable as of the first day of the month following their normal retirement date provided that they have completed at least five full years of service to the Town.

The pension plan provides for normal retirement at age 65 and completion of 10 years of participation, or completion of 25 years of vesting service.

Effective January 1, 2007, participant benefits are based on 2-1/2 percent of the three highest years of average compensation multiplied by benefit service not to exceed 40 years. Benefits for service prior to January 1, 2007 were based on a two percent benefit multiplier.

Eligibility for early retirement benefit is age 55 and 10 years of vesting service.

Valuation of Investments

In accordance with GASB No. 25, investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

The pension plan's unallocated insurance contracts are valued at contract value. Contract value represents contributions made under the contract, plus interest at the contract rate, less funds used to purchase annuities and pay administrative expenses charged by the company.

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2008, the carrying amount and bank balance of the full-time employee pension fund deposits was \$65,580. Of this amount, \$46,239 was insured or registered and the securities held by the Town or its agent in the Town's name; and \$19,341 was equal to the deposits in a federated prime obligations fund held by the trustee of the pension plan in the Town's name.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 FULL-TIME EMPLOYEES PENSION FUND (cont'd)

Investments

The investment objective of the Town of Smyrna Full-time Employee Pension Plan is to maintain a balanced portfolio comprised of equity, fixed income and cash equivalent securities and, as such, is intended to be structured less aggressively than speculative portfolios.

As of December 31, 2008, the Town of Smyrna Full-time Employee Pension Plan had the following investments:

	<u>Fair Value</u>
Domestic equity mutual funds and corporate bonds	\$ 1,812,385
Unallocated fixed income insurance contracts	<u>1,376,837</u>
Total	<u>\$ 3,189,222</u>

Investments in external investment pools, such as those in mutual funds and fixed income insurance contracts, are disclosed but not subject to interest rate, custodial, credit or concentration risks because they are not evidenced by securities that exist in physical or book entry form.

Administrative Costs

Administrative costs, including the investment manager, custodial trustee and actuarial services, are charged and paid by short-term assets of the plan.

Annual Pension Cost

Periodic employer contributions to the pension plan are determined on an actuarial basis using the entry age normal method assuming an investment return of seven percent and a compensation increase of 4.5 percent per year. Prior to the 2004 fiscal year, employer contributions were determined on an actuarial basis using the frozen age entry method. The change in the Town's funding policy from the frozen age entry method to the entry age normal method was implemented to eliminate the plan's unfunded actuarial liability at the end of 15 years from January 1, 2004.

The entry age normal method determines a projected benefit at each active participant's assumed retirement age assuming future compensation increases. The plan's normal cost is the sum of each active participant's annual cost for the current year of service determined such that, if it were calculated as a level percentage of compensation each year, it would accumulate at the valuation interest rate over the total prior and future years of service to the assumed retirement date into an amount sufficient to fund the projected benefit. The plan's accrued liability is the sum of the accumulation of each active participant's normal costs attributable to all prior years of service plus the present value of each inactive participant's future benefits.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 **FULL-TIME EMPLOYEES PENSION FUND** (cont'd)

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
12/31/2008	\$ 494,464	100.00%	\$ (346,739)
12/31/2007	\$ 415,674	108.09%	\$ (346,739)
12/31/2006	\$ 238,958	150.40%	\$ (313,129)

The above information regarding the Full-time Employees Pension Fund was taken from the January 1, 2008 Actuarial Valuation presented by Milliman USA, Inc., signed by Graham A. Harrison, FSA and Jill M. Stanulis, EA dated December 2008.

NOTE 9 **POST-EMPLOYMENT RETIREMENT BENEFITS**

In addition to the pension benefits described in Notes 7 and 8, the Town provides post-employment retirement healthcare benefits for employees that meet eligibility requirements. The benefit allows employees to continue under the Town health insurance group plan with coverage being provided only to the retired employee and his or her spouse with the following limits:

Employees retiring prior to September 15, 1997

1. The retired employee shall pay 15 percent of the total premium costs.
2. Employees must meet the service time and age schedule at the time they retire from the Town to be eligible for participation in the plan.
3. Upon the death of the retired employee, spouses are permitted to maintain individual coverage on the plan, but shall pay 100 percent of the cost.
4. The Town's cost for the spouse's coverage shall not exceed the cost of the retired employee's coverage.

As of December 31, 2008, two employees were eligible for this benefit.

Employees retiring on September 15, 1997 and thereafter

1. The Town will pay 100 percent of the total premium cost for the retired employee. In addition, as of December 31, 2004, the Town will pay 85 percent of the health insurance contract of the spouse and all eligible dependents for eligible retired police employees, with the retired police employee responsible for the remaining 15 percent.
2. Employees must meet the service time and age schedule at the time they retire from the Town to be eligible for participation in the plan.

As of December 31, 2008, three employees were eligible for this benefit.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 POST-EMPLOYMENT RETIREMENT BENEFITS (cont'd)

Union Employees

Union employees are excluded from all post-employment retirement benefits.

Post-employment retirement benefits are recognized when paid. Post-employment retirement benefits for the year ended December 31, 2008 totaled \$37,128.

NOTE 10 DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to all Town employees, permits them to defer a portion of their salary until future years. The plan is available to all employees until termination, retirement, death or unforeseeable emergency. The assets of the plan are held for the exclusive benefit of the plan participants and their beneficiaries, and the assets shall not be diverted for any other purpose. Each participant directs the investments in his/her respective accounts, and the Town has no liability for any losses that may be incurred.

NOTE 11 COMMITMENTS AND CONTINGENCIES

The Town participates in state and county assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Town is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

The Town is a member of the Delaware Municipal Electric Corporation (DEMEC). DEMEC is a public corporation constituted as a joint action agency and a wholesale electric utility. DEMEC was established in 1979 and represents nine municipal electric distribution utilities located in the State of Delaware. DEMEC provides full requirements wholesale electric power supply service to seven of the nine members, including the Town, through the operation of owned generation assets and various contractual wholesale supply contracts with external parties.

The Town purchases 100 percent of its electric supply requirements from DEMEC under a full requirements service contract that became effective June 1, 2004 and which will remain in effect unless terminated upon one year's written notice by either party. The obligation of the Town to purchase and pay for full requirements service, including its allocated costs under any then current forward contract for capacity and energy between DEMEC and a third party in effect as of the date of notice of termination, shall survive the termination of this agreement.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 COMMITMENTS AND CONTINGENCIES (cont'd)

The Town has entered into a separate power sales agreement effective May 1, 2001 to purchase an interest in the capacity produced by Unit No. 1 of the Warrant F. "Sam" Beasley Power Station located in Smyrna, Delaware, owned by DEMEC. The Town is entitled to a percentage of all power supply and ancillary products generated from the existing nominal 45 MW natural gas-fired combustion turbine generator for the useful life of the facility.

Under the terms of the various agreements, DEMEC is authorized to act as agent for the Town in all matters relating to the acquisition and delivery of its wholesale power supply and management of energy cost risk on behalf of the Town in the deregulated energy markets.

The Town is actively engaged in the following projects which are not under formal construction contracts:

<u>Project Name</u>	<u>Estimated Cost</u>	<u>Total Expended at 12/31/2008</u>
Historic Downtown Electric	\$ 1,000,000	\$ 473,893
Town Four Corners	1,700,000	155,497
Municipal Complex	4,000,000	1,300,681
	<u>\$ 6,700,000</u>	<u>\$ 1,930,071</u>

An additional \$1,251,874 of construction-in-progress that was not under a formal construction commitment or placed in service as of December 31, 2008 has been reflected in the accompanying financial statements.

NOTE 12 LAND HELD FOR RESALE

On October 24, 1995, the Town entered into an agreement with the Delaware Economic Development Office to obtain funding for the purchase of property to be used for the development of the Smyrna Industrial Park. On July 25, 1996, the Town purchased 95.8286 acres for one million dollars with funds supplied by the State of Delaware Economic Development Office. In accordance with the agreement, the Town has provided matching funds equal to the purchase price of the property. The matching funds were used for infrastructure, consulting and marketing associated with the project.

The Town designated 50.69 acres of the Smyrna Industrial Park as land held for resale. The Town recorded these parcels of land held for resale in its financial records. The properties held for resale are recorded at the lower of cost or net realizable value. At

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 LAND HELD FOR RESALE (cont'd)

December 31, 2008, remaining land held for resale totaled \$45,080 (4.32 acres), with this amount offset by a reservation of fund balance in the governmental funds financial statements. On February 29, 2008, the Town sold this property for an amount totaling \$691,200.

NOTE 13 RISK MANAGEMENT

The Town maintains commercial insurance coverage for risk of losses relating to general, automotive, police professional, public officials and crime. There has been no significant change in coverage and there have been no losses above insurance limits during the past year.

NOTE 14 ADVANCE PAYMENTS

The Town received an advance payment of impact fees totaling \$931,241 in the general fund. As of December 31, 2008, only an amount totaling \$11,908 was an enforceable legal claim (at the point the fees become nonrefundable). The remaining balance of \$919,333 has been classified as deferred revenue and will be recognized as revenue over time as the Town is able to establish an enforceable legal claim to these resources.

NOTE 15 SUBSEQUENT EVENTS

The Town Council, at its meeting on April 20, 2009, passed a resolution authorizing the Town to borrow an amount not to exceed \$3,768,000 from the Delaware Drinking State Revolving Fund available under the American Recovery and Reinvestment Act to construct a number of projects to improve and upgrade the Town's water distribution system.

The Town Council, at its meeting on May 18, 2009, passed a resolution authorizing the Town to borrow up to the total sum of \$6,008,000 from the Delaware Water Pollution Control Revolving Fund to finance a number of municipal projects to improve, upgrade and expand the Town of Smyrna wastewater system.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SMYRNA, DELAWARE
SCHEDULE OF FUNDING PROGRESS - PENSION PLANS
REQUIRED SUPPLEMENTARY INFORMATION

	(1)	(2)	(3)	(4)	(5)	(6)
Calendar Year	Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded (1)/(2)	Unfunded (assets in excess of) Accrued Liability (2)-(1)	Annual Covered Payroll	Unfunded (assets in excess of) Accrued Liability as a % of Payroll (4)/(5)
POLICE						
1/1/04	\$2,125,582	\$2,979,009	71.35%	\$ 853,427	\$ 850,731	100.32%
1/1/05	\$2,470,563	\$4,283,237	57.68%	\$1,812,674	\$ 888,480	204.02%
1/1/06	\$2,798,043	\$4,781,778	58.51%	\$1,983,735	\$1,033,220	191.99%
1/1/07	\$3,302,971	\$5,218,074	63.29%	\$1,915,103	\$1,051,536	182.12%
1/1/08	\$3,760,111	\$5,726,593	65.66%	\$1,966,482	\$1,606,144	122.43%
FULL-TIME EMPLOYEE						
1/1/04	\$2,053,994	\$2,626,331	78.21%	\$ 572,337	\$1,319,652	43.37%
1/1/05	\$2,415,258	\$2,807,982	86.01%	\$ 392,724	\$1,495,680	26.26%
1/1/06	\$2,730,679	\$3,846,596	70.99%	\$1,115,917	\$1,699,532	65.66%
1/1/07	\$3,341,855	\$4,477,833	74.63%	\$1,135,978	\$2,005,968	56.63%
1/1/08	\$3,954,617	\$5,218,240	75.78%	\$1,263,623	\$2,309,773	54.71%

Effective for the year beginning January 1, 2004, actuarial valuations were calculated using the entry age normal actuarial cost method. Prior year actuarial valuations were calculated using the frozen age entry actuarial cost method.

The above information regarding the Police and Full-time Employee Pension Funds was taken from Actuarial Valuations presented by Milliman, USA Inc., signed by Graham A. Harrison, FSA and Jill M. Stanulis, EA.

COMBINING NONMAJOR FUND STATEMENTS

TOWN OF SMYRNA
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2008

	Municipal Street Aid Fund	S.A.L.L.E. Fund	E.I.D.E. Fund	Resource Officer Fund	Forfeiture Fund	Totals
ASSETS						
Cash and cash equivalents	\$ 198	\$ 7,874	\$ 3,012	\$ 27,953	\$ 20,597	\$ 59,634
Investments	147,942	-	-	-	-	147,942
Due from other funds	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 148,140</u>	<u>\$ 7,874</u>	<u>\$ 3,012</u>	<u>\$ 27,953</u>	<u>\$ 20,597</u>	<u>\$ 207,576</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES:						
Reserved for:						
Police expenditures	-	7,874	3,012	27,953	20,597	59,436
Public works expenditures	148,140	-	-	-	-	148,140
TOTAL FUND BALANCES	<u>148,140</u>	<u>7,874</u>	<u>3,012</u>	<u>27,953</u>	<u>20,597</u>	<u>207,576</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 148,140</u>	<u>\$ 7,874</u>	<u>\$ 3,012</u>	<u>\$ 27,953</u>	<u>\$ 20,597</u>	<u>\$ 207,576</u>

TOWN OF SMYRNA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Municipal Street Aid Fund	S.A.L.L.E. Fund	E.I.D.E. Fund	Resource Officer Fund	Forfeiture Fund	Total
REVENUES						
Intergovernmental	\$ 214,838	\$ 12,178	\$ 7,640	\$ 18,750	\$ 1,559	\$ 254,965
Miscellaneous	-	-	-	-	550	550
Investment income	7,478	-	-	-	-	7,478
TOTAL REVENUES	<u>222,316</u>	<u>12,178</u>	<u>7,640</u>	<u>18,750</u>	<u>2,109</u>	<u>262,993</u>
EXPENDITURES						
Current:						
Public safety - police	-	9,606	8,981	13,170	3,260	35,017
Public works	284,426	-	-	-	-	284,426
TOTAL EXPENDITURES	<u>284,426</u>	<u>9,606</u>	<u>8,981</u>	<u>13,170</u>	<u>3,260</u>	<u>319,443</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(62,110)</u>	<u>2,572</u>	<u>(1,341)</u>	<u>5,580</u>	<u>(1,151)</u>	<u>(56,450)</u>
FUND BALANCES, BEGINNING OF YEAR	<u>210,250</u>	<u>5,302</u>	<u>4,353</u>	<u>22,373</u>	<u>21,748</u>	<u>264,026</u>
FUND BALANCES, END OF YEAR	<u>\$ 148,140</u>	<u>\$ 7,874</u>	<u>\$ 3,012</u>	<u>\$ 27,953</u>	<u>\$ 20,597</u>	<u>\$ 207,576</u>

OTHER REPORTS

REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

200 Springer Building
3411 Silverside Road
Wilmington, Delaware 19810
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info@btcpa.com

August 17, 2009

To the Honorable Mayor and Town Council
Town of Smyrna
Smyrna, Delaware

We have audited the financial statements of the Town of Smyrna, Smyrna, Delaware as of and for the year ended December 31, 2008 and have issued our report thereon dated August 17, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Smyrna's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Smyrna's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A control deficiency exists when a design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

BARBACANE
THORNTON
& COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

To the Honorable Mayor and Town Council
Town of Smyrna

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Smyrna's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*. However, we noted other matters that we have reported to management of the Town of Smyrna in a separate letter dated August 17, 2009.

This report is intended solely for the information and use of the Mayor, the Town Council and management, and is not intended to be and should not be used by anyone other than these specified parties.

Barbacane, Thornton & Company
BARBACANE, THORNTON & COMPANY